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March 4, 2009

**Budget Committee
City and County of Honolulu
Hearing Date: Wednesday, March 4, 2009, 9:00 a.m.
Committee Meeting Room**

Testimony in Support of Bill 11 (2009) – Real Property Tax Incentives

Honorable Chair Nestor R. Garcia, Vice Chair Gary Okino and
Members of Budget Committee:

I am Dave Arakawa, the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide our testimony **in strong support of Bill 11 (2009)**, which amends and extends a real property tax exemption for new and accelerated construction on Oahu to address the anticipated slowdown in construction.

Bill 11 (2009). This measure was introduced as a result of University of Hawaii Economic Research Organization's (UHERO) grim forecast for the construction industry for 2009 and 2010. UHERO predicts that residential building permits will drop 20 to 24 percent from its peak in 2006, and construction jobs to drop 2.9 percent in 2009 and further drop 2.4 percent in 2010. The purpose of this measure is to address the anticipated slowdown in construction by providing a real property tax exemption for new and accelerated construction on Oahu.

This measure will amend Section 8-10.26 of the Revised Ordinances of Honolulu 1990, by adding an additional tax exemption for qualifying construction work by changing applicable dates for current and future qualifying construction work and adding the following provision:

(h) Any claim for exemption filed under this section prior to June 30, 2004 shall continue to be subject to the provisions established by Ordinance 99-42, as amended by Ordinances 00-45 and 02-39, and shall not be subject to the provisions of this ordinance.

The effective dates in Section 4 of Bill 11 (2009) are currently blank, but will set limits on the applicable tax years by setting a beginning date and an end date.

LURF Position. During these difficult economic times, a break in real property taxes for new and accelerated construction projects will incentivize construction and assist homeowners who want to make improvements despite the economy. More importantly, it will create jobs in the construction industry, which is experiencing a significant slowdown. LURF is in **strong support of Bill 11 (2009)**, and we respectfully urge your favorable consideration.

We appreciate the opportunity to present our testimony in **support** of Bill 11 (2009).